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November 17, 2003

HAND DELIVERED

Thomas M. Dorman
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Mark R. Overstreet
(502) 209-1219
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NOV 17 2003

**PUBLIC SERVICE
COMMISSION**

RE: P.S.C. Case No. 2003-00228

Dear Mr. Dorman:

Please find enclosed and accept for filing the responses of Kentucky Power Company d/b/a American Electric Power to the Data Requests propounded by Matrix Energy. Copies of the responses along with this letter are being served on all counsel of record.

Sincerely yours,

STITES & HARBISON PLLC

Mark R. Overstreet

cc: Robert C. Moore
Rebecca S. Gohmann
Albert A. Burchett
J. Scott Preston

KE057;KE169:10154:1:FRANKFORT

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

NOV 17 2003

**PUBLIC SERVICE
COMMISSION**

IN THE MATTER OF

MATRIX ENERGY, LLC FOR DETERMINATION) CASE NO.
OF RETAIL ELECTRIC SUPPLIER) 2003-00228

**RESPONSES OF KENTUCKY POWER COMPANY D/B/A AMERICAN
ELECTRIC POWER TO MATRIX ENERGY FIRST SET DATA REQUESTS**

November 17, 2003

Kentucky Power
d/b/a
American Electric Power

REQUEST

Please state whether power to the Matrix Mine could be provided by AEP utilizing the existing tap and high voltage meter presently existing at the Pevler station owned by Czar and located on the Czar mine site so that the Matrix Mine shaft and portal can be served with 34.5 kV voltage. If so, please state the total cost to AEP of providing service to the Matrix Mine site utilizing the Pevler station and the costs that would be charged to Matrix.

RESPONSE

The Dewey-Inez 69 kV line provides adequate and dependable service to a load of approximately 31 MW that includes approximately 9 MW of existing load served from the Pevler station. In addition, the 69 kV line has sufficient capacity to serve the proposed 3 MW of Matrix mining load.

However, AEP has not conducted any engineering studies or site inspection to develop cost estimates for providing 69 kV or 34.5 kV service to the proposed Matrix Mine shaft and portal from the Pevler station. This study is necessary to determine any additions or upgrades necessary to the existing facilities, and the physical viability to implement such configuration changes. Therefore, AEP is unable to provide the cost to serve the Matrix Mine from the Pevler Station.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Assuming AEP is authorized to serve the Matrix Mine, please provide the estimated cost to Matrix to construct a substation adjacent to AEP's 69kV transmission line and a 1.6 mile distribution line to the Matrix Mine portal and shaft, so that Matrix can serve its mine with 34.5 kV voltage, including any costs to Matrix to tap onto AEP's transmission line.

RESPONSE

To date, per the request of East Kentucky Power Cooperative ("EKPC") in 2002, AEP conducted the necessary system impact and facilities studies and developed a plan to provide a 69 kV tap from the Dewey-Inez 69 kV line, to be located approximately 1.8 miles from AEP's Dewey Station. The proposed plan included three (3) 69 kV, 1200 Amp motor-operated air break switches (MOABs), 69 kV interconnection metering, station fence, control and communication facilities, etc. The proposed facilities were to be owned and operated by AEP at EKPC's expense. The cost for these facilities, based on a February 2003 service date and preliminary in nature without detailed engineering and design studies, was estimated at \$332,000. Furthermore, this cost did not include the cost of a gravel access road, land properly graded for the station and the Right-of-Way to be provided by EKPC. AEP was never asked to develop the cost of the substation and the line from the substation to the proposed mining operation. Thus, AEP is unable to provide the cost of the substation and the line to the mine site as requested.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Assuming AEP is authorized to serve the Matrix Mine, please state whether AEP will allow Matrix to construct and own the substation adjacent to AEP's 69KV transmission line and a 1.6 mile distribution line to the Matrix Mine portal and shaft, so that Matrix can serve its mine with 34.5 kV voltage, and the total cost to Matrix to tap onto AEP's transmission line.

RESPONSE

Yes. If AEP were authorized to serve the Matrix Mine, AEP would allow Matrix to construct and own the substation adjacent to AEP's 69 kV transmission line and a 1.6 mile distribution line to the Matrix Mine portal and shaft as long as it meets AEP connection guidelines. Please refer to the response to Data Request No. 2 regarding the cost to tap AEP's Dewy-Inez 69 kV line.

WITNESS: Errol K Wagner

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Based on Matrix' estimate that it will be using, on a monthly basis, 3000 kw, an energy charge of 401.04 and a fuel factor of 401.04, what would Matrix' monthly electric charge if service is provided by AEP, and explain how this monthly charge was determined. Please state whether any of these charges have a monthly minimum.

RESPONSE

Please refer to Ms. Borden's prefiled testimony at page 7 line 11:

Based upon the Company's QP Tariff at a delivery voltage of 69 kV with a maximum monthly billing demand of 3 MW and a monthly kilowatt hours consumption of 1,203,120 (55.7% load factor) the monthly billing calculation, excluding taxes, for April 2003 would be as follows:

Service Charge of	\$ 662.00
Demand Charge of (\$8.51 per kW * 3,000 kW)	25,530.00
Energy Charge of (\$.01171 per kWh * 1,203,120 kWh)	14,088.54
Net Merger Credit (\$.000459 * 1,203,120 kWh)	(552.23)
Fuel Adjustment (\$.0004061 * 1,203,120 kWh)	488.59
Environmental Surcharge (.022445 * \$40,216.90)	<u>902.67</u>
Total Monthly Bill of	\$ 41,119.57

The Company's QP Tariff does have a minimum demand charge provision. The minimum charge is equal to the Service Charge plus the Demand Charge multiplied by the monthly billing demand. The monthly billing shall in no event be less than 60% of the greater of (a) the customer's contract capacity or (b) the customer's highest previously established monthly billing on-peak demand during the past 11 months.

Assuming a contract capacity of 3,000 kW and monthly maximum on-peak billing demands of no greater than 3,000 kW during the last 11 months, the minimum charge provision would not impact the customer's bill unless the customer's metered demand falls below 1,800 kW in any given month.

WITNESS: Delinda K Borden

Kentucky Power
d/b/a
American Electric Power

REQUEST

Please state whether AEP has provided electric power to individuals and/or entities conducting mining operations on the property identified as the Czar mining site on the map identified as Matrix Exhibit D. If so, please identify the customers served on the Czar mining site and the dates of service, and whether the central distribution point for this service was the Pevler station.

RESPONSE

AEP established the Pevler Station in 1971. This station was in turn used to serve two 12.47 kV primary deliveries. The service from Pole #886-14 was used to provide service to the preparation plant now owned by Czar Coal Corporation, but formerly owned by Cumberland Valley Coal Company, which in turn was owned by Arch Coal Company. The service from Pole #862-2 was for a deep mine owned by Cumberland Valley Coal Company, near the Pevler Station. Any electrical facilities extended beyond the metering poles would have been the property of Cumberland Valley Coal Company, and therefore, AEP would not have any record of them. The Pevler Station and distribution facilities were sold by AEP to Cumberland Valley Coal Company in early 1995, which in turn was sold to Czar Coal Corporation. Since 1995, AEP has served Czar Coal Corporation from the Pevler delivery point.

WITNESS: Delinda K Borden

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

On a map of suitable scale, please identify or illustrate the location of the central distribution point (Pevler Station) for power to the mining operations, conveyor belt, and preparation plant on the Czar mining site, the proposed location of the substation adjacent to AEP's 69kV line and the distribution lines to the Matrix Mine portal and shaft.

RESPONSE

Please refer to EKW Exhibit - 1 filed in this proceeding with the prefiled testimony of Mr. Wagner.

- a) The Pevler Station is located approximately 11,034 feet northeast from the Matrix Mine Access or portal.
- b) Based upon Matrix's response to Big Sandy's Data Request No. 5 Exhibit E, the conveyor belt runs from the Matrix Mine Access in a northeast direction approximately 4,834 feet to the coal preparation plant on the Czar mining site.
- c) The coal preparation plant on the Czar mining site is approximately 6,200 feet southeast from the Pevler Station.
- d) The proposed substation to be located adjacent to AEP's Dewey-Inez 69 kV line is expected to be located approximately 8,450 feet north of the Matrix Mine Access or portal.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Please state whether AEP would be able to provide permanent electric service to the Matrix Mine and the voltage that it could provide as well as the date when said service could be provided under both options as described in request No. 1 and request No. 2 above.

RESPONSE

To-date, AEP was only requested to conduct studies and develop a plan to provide a new 69 kV delivery point from the Dewey-Inez 69 kV line for a coal mining facility to be located outside AEP's certified territory. The Dewey-Inez 69 kV line has sufficient capacity to provide permanent electric service to the proposed Matrix Mining load at 69 kV. Please refer to AEP's responses to Data Requests No. 1 and No. 2.

AEP expects that it would take up to six months to install the new facilities once these are identified and all necessary agreements and approvals to allow AEP to provide 69 kV service to Matrix Mine are authorized. In addition, it is noted that a detailed engineering study would be required for the option described in Data Request No. 1, in order to identify new/upgraded facilities for providing 69 kV service from the Pevler Station. This study may require up to two months in addition to the six-month period needed for installing the new facilities.

WITNESS: Errol K Wagner

Kentucky Power
d/b/a
American Electric Power

REQUEST

Please state whether AEP would require the payment of a deposit by Matrix in the event that AEP provides the power service to the Matrix Mine.

RESPONSE

807 KAR 5:006 Section 7 (1) provides that a utility may require from any customer a minimum cash deposit or other guaranty to secure payment of bills. In accordance with this regulation and the Company's terms and conditions of service AEP requires a deposit equal to two-twelfths (2/12) of the customer's actual or estimated annual bill from all new customers who have not established acceptable credit with the Company.

In the case of an established customer, AEP reviews the customer's payment history to determine if a deposit would be required. Should Matrix elect to establish service in the name of Czar Coal Corporation or Beech Fork Processing Inc, a deposit will not be required. However, as Matrix is a new corporation, AEP would require some form of security, such as a cash deposit equal to two-twelfths (2/12) of the customer's estimated annual bill or a surety bond as detailed in Kentucky Power's terms and conditions of service.

WITNESS: Delinda K Borden

Kentucky Power
d/b/a
American Electric Power

REQUEST

Please state whether AEP has ever received written or verbal authorization from Big Sandy to provide service within the certified territory of Big Sandy. If so, please provide the dates when such authorization was given, the manner in which authorization was given, and the customer involved in such service. If the authorization was in writing, please provide copies of the documents memorializing such authorization.

RESPONSE

Attached is a copy of a letter from Big Sandy RECC authorizing AEP to provide electrical service within the certified territory of Big Sandy RECC.

WITNESS: Delinda K Borden



Big Sandy Rural Electric Cooperative Corporation

504 11th Street
Paintsville, Kentucky 41240-1422
(606) 789-4095 • Fax (606) 789-5454

SEP 26 REC'D

Branch Office:

Box 8, Glyn View Plaza
Prestonsburg, KY 41653
(606) 886-2987

September 6, 2001

American Electric Power
3249 North Mayo Trail
Pikeville KY 41501

Gentlemen:

Please consider this letter your company's authorization to temporarily serve a new 2,000 KVA substation for Beechfork Mining located at the Sycamore Fork of Daniels Creek, which is in our service territory. However, any further sites located within our territory must be served by Big Sandy RECC, unless otherwise agreed to.

Please indicate your company's agreement by signing below and returning an executed copy to me.

Sincerely,

Bruce A Davis, Jr.
President/General Manager

BD/jh

C: Beechfork Mining

Agreed by

American Electric Power

**Kentucky Power
d/b/a
American Electric Power**

REQUEST

Based on your understanding of the power demands of the Matrix Mine project, please state what AEP believes is the most cost effective and reliable power source for this project, the location of the power source and explain in detail the facts supporting your answer.

RESPONSE

As stated at page 6, line 11 of Mr. Wagner's prefiled testimony, the Company has not been asked to develop or involved with developing any formal Plan of Service to the Matrix Mine. Therefore, the Company is unable to determine definitively the most cost effective and reliable power source for the Matrix Mine project.

AEP should be able to provide service to the proposed Matrix Mine project via the existing 69 kV Pevler delivery point or by creating a new delivery point by tapping the Dewey-Inez 69 kV line.

As discussed in the Company's response to Data Request No. 1, AEP has not conducted any studies for providing service through the existing Pevler delivery point.

The costs and conditions for providing service via a tap from the Dewey-Inez 69 kV line are discussed in the Company's response to Data Request No. 2.

Before the Company has the ability to give a more specific response to the questions in this data request, there would need to be discussions between the customer and the Company to clarify several issues such as the total maximum expected connected load and expected load/utilization factor at the Matrix Mine project.

WITNESS: Errol K Wagner